

He's no Friedman, but Biden is bound to back TPP

Economics
Joe Biden has compassion for losers from globalisation. But he will still be a stronger advocate for free trade than Donald Trump.



Richard Holden

In accepting the Democratic Party's nomination for president of the United States, Joe Biden pledged to "restore the soul of America". Should he win in November he will face no small task in doing so, after the present occupant of the White House has disgraced his office, failed his nation, and badly damaged the world's oldest democracy.

But one of Biden's easier, yet crucial tasks, will be moving the US back to a pro-market, pro-globalisation, free-trade posture. And make no mistake, he will do exactly that.

Start with the economic advisers Biden has surrounded himself with. A semi-public meeting of his economic team a couple of weeks ago involved former Federal Reserve chair Janet Yellen, Harvard economics professor Raj Chetty – both of whom are brilliant, impeccably credentialed, mainstream economists.

And earlier this year, Biden was the subject of harsh criticism from progressive groups for listening to the strongly pro-market Larry Summers who was Treasury secretary under Bill Clinton, and National Economic Council director under Barack Obama.

And it's not like there aren't radical – even fringe economists around. Yet Modern Monetary Theory proponent and former adviser to Bernie Sanders Stephanie Kelton has, thankfully, been nowhere in sight.

It is also notable Biden chose the socially progressive but pro-market Kamala Harris, not the Democratic socialist firebrand Elizabeth Warren, as his running mate.

There is also Biden's long track record in the Senate and as vice-president to go by. In the latter role he was a strong supporter of the Trans-Pacific Partnership (TPP), which was an important economic policy proposed by the Obama administration – it sought to lower tariffs and other trade barriers among a 12-nation group, and reduce China's influence in the Pacific region.

Perhaps the furthest he has gone publicly in stepping back from that position was in



Make no mistake: A Joe Biden administration will move the US back to a pro-market, pro-globalisation, free-trade posture. PHOTO: BLOOMBERG

the second Democratic presidential primary debate (in mid-2019) when he said: "I would not join the TPP as it was initially put forward. I would insist that we renegotiate pieces of that with the Pacific nations... so that we could bring them together to hold China accountable."

In the context of trying to appeal to the most left-leaning progressive base of the Democratic Party in a primary debate where Biden might have been the least progressive candidate on stage, that doesn't even qualify as a crab walk away from the TPP.

Biden is sufficiently progressive to use trade as a political weapon – but only in extreme circumstances.

For instance, in the mid-1980s he clashed with the Reagan administration in pushing for tougher economic sanctions on South Africa – getting into a shouting match with then-secretary of state George Shultz over not whether but how best to end a practice

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(apartheid) so repugnant that it no longer exists.

But during the Clinton years, Biden voted in favour of the North American Free Trade Agreement (NAFTA) in 1993, for the Uruguay Round Agreements Act in 1994, and for giving trade negotiators more autonomy to cut trade deals with a vote in favour of the Fast-Track Trade Authority in 1998.

Of course, Joe Biden is no Milton Friedman. He understands in his bones what has happened to the American middle

class over the past 40 years. Over that time frame, the wage of the average American worker has not grown in inflation-adjusted terms. That is a staggering indictment of the core promise of economic liberalism to make everyone better off through free trade and globalisation.

That helps explain his votes against some bilateral free trade deals during the George W. Bush administration because of his concerns about whether labour and environmental standards required in the agreements – and voted for by Republicans – would be enforced.

But Biden knows the answer is to make liberalism work better, not to abandon it, as some of those he ran against for the Democratic nomination advocated. He is not only one of the strongest proponents of free trade in the Democratic Party, he is a vastly stronger advocate of free trade than President Donald Trump.

Trump plainly doesn't believe in free trade, routinely citing the trade deficit with China as a bad thing and saying that "trade wars are good, and easy to win". In 2016, Trump ran on, and fully embraced, adviser Steve Bannon's "economic nationalism".

It may be that the hinge of history has swung open on a Chinese century. But in Biden, American voters have a choice for president who has a long record of being in favour of free trade and globalisation while wanting to do more to curb its worst excesses.

Don't mistake Biden's compassion for those who have lost from globalisation as a repudiation of it.

And make no mistake about this. A Biden White House will see the passage of the TPP – a deal both Malcolm Turnbull and Scott Morrison have strongly supported – and which would be hugely beneficial to Australia in both economic and political terms.

Richard Holden is professor of economics at UNSW.

Mining lobbyist who helped sink Australia's climate hopes

Environment
Far from being a carbon price evangelist, Mitch Hooke has been one of the country's most destructive voices on climate change action.



Kevin Rudd

The Australian political arena is full of reinventions.

Tony Abbott has gone from pushing emissions cuts under the Paris climate agreement to demanding Australia withdraw from the treaty altogether. And Scott Morrison, who accused Labor of presiding over "crippling" debt, now binges on wasteful debt-fuelled spending that makes our government's stimulus look like a rounding error.

However, neither of these metamorphoses comes close to the transformation of Mitch Hooke, the former Minerals Council chief and conservative political operative, who now pretends he is a lifelong evangelist of carbon pricing.

Writing in *The Australian Financial Review* ("Ken Henry got it wrong on climate wars, mining tax", on August 11), Hooke said he supported emissions trading throughout the mid-2000s until his government came to power in 2007.

It then supposedly "trashed that consensus" by using the proceeds of a carbon price to compensate motorists, low-income households and trade-exposed industries.

How dreadful to help those most impacted by a carbon price! The very point of an emissions trading scheme is that it can change consumers' behaviour without making people on low to middle incomes worse off. That's why you increase the price of emissions-intensive goods and services (relative to less polluting alternatives), then give that money back to people through the tax or benefits system so they're no worse off. But they are then able to choose a more climate-friendly product.

The alternative is the government just pockets the cash, thereby defeating the entire purpose of a market-based scheme.

Obviously this is pure rocket science

for Mitch. Hooke also seems to have forgotten that such compensation was not only appropriate, but it was exactly what Malcolm Turnbull was demanding in exchange for Liberal support for our proposal in the Senate. Without it, any emissions trading scheme would be a non-starter.

When that deal was tested in the Liberal party room, it was defeated by a single vote. Even so, enough Liberal senators crossed the floor to give the Greens political party the balance of power.

Showing their true colours, Bob Brown's

Hooke's stock-in-trade was brutal politics in service of BHP, Rio and the carbon lobby.

senators sided with Tony Abbott and Barnaby Joyce to kill the legislation. The Greens party has, to this day, been unable to adequately explain its decision to voters. If they hadn't, Australia would now be 10 years down the path of steady decarbonisation.

For Hooke, the reality is that he never wanted an emissions trading scheme if he could avoid one. But rather than state this outright, he just insists on impossible preconditions. As for Hooke's most beloved Howard government, John Winston would in all probability have gone even further than Labor in compensating people affected by his own proposed emissions trading scheme, given Howard's legendary ability to bake middle-class welfare into any national budget. Just ask Peter Costello.

Hooke has, like Abbott, been one of the

most destructive voices in Australian national climate change action. He also expresses zero remorse for his deceptive campaign of misinformation, in partnership with those wonderful corporate citizens at Rio, targeting my government's efforts to introduce a profits-based tax for minerals, mirroring the petroleum resource rent tax implemented by the Hawke government in the 1980s.

Our Resource Super Profits Tax would have funded new infrastructure to address looming capacity constraints affecting the sector, as well as an across-the-board company tax cut to 28 per cent. Most importantly it sought to fairly spread the proceeds of mining profits when they vastly exceeded the industry norms – such as during commodity price booms – with the broader Australian public. Lest we forget, they actually own those resources. Rio just rents them.

In response, Hooke and his mates at Rio and BHP accumulated a \$90 million war chest and \$22.2 million of shareholders' funds were poured into a political advertising campaign over six weeks.

Another \$1.9 million was tipped into Liberal and National party coffers to keep conservative politicians on side. All to keep Rio and BHP happy, while ignoring the deep structural interests of the rest of our mining sector, many of whom supported our proposal.

At their height, Hooke's television ads were screening about 33 times per day on free-to-air channels. Claims the tax would be a "hand grenade" to retirement savings were blasted by the Australian Institute of Superannuation Trustees, which referred the "irresponsible" and "scaremongering" campaign to regulators.

This was not an exercise in public debate

to refine aspects of the tax's design; it was a systematic effort to use the wealth of two multinational mining companies to bludgeon the government into submission.

And when Gillard and Swan capitulated as the first act of their new government, they essentially turned over the drafting pen to Hooke to write a new rent tax that collected almost zero revenue.

The industry, however, was far from unified. Fortescue Metals Group chairman Andrew "Twiggy" Forrest understood what we were trying to achieve, having circumvented Hooke's spin machine to deal directly with my resources minister, Martin Ferguson.

We ultimately agreed that Forrest would stand alongside me and pledge to support the tax. The next day, Gillard and Swan struck. And Hooke has been a happy man ever since, even though Australia is the poorer for it.

It doesn't matter where you sit on the political spectrum, everyone involved in public debate should hope that they've helped to improve the lives of ordinary people.

That is not Hooke's legacy. Nor his interest. However much he may now seek to rationalise his conduct, Hooke's stock-in-trade was brutal, destructive politics in direct service of BHP, Rio and the carbon lobby.

He was paid handsomely to thwart climate change action and ensure wealthy multinationals didn't pay a dollar more in tax than was absolutely necessary.

He succeeded. But I'm not sure his grandchildren will be all that proud of his destructive record.

Congratulations, Mitch.

Kevin Rudd was the 26th prime minister of Australia.

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